

British Smaller Companies VCT2 plc (“the Company”)

Interim Management Statement

For the quarter ended 30 September 2012

British Smaller Companies VCT2 plc presents its interim management statement for the period from 1 July to the date of this announcement, including the results for the quarter to 30 September 2012. This constitutes the Company's second interim management statement for the financial year ending 31 December 2012, as required by Rule 4.3 of the Disclosure and Transparency Rules. A copy of this interim management statement can be found at www.yfmep.com.

The total return at 30 September 2012, calculated by reference to the net asset value per Ordinary share and the cumulative dividends paid per Ordinary share, is 100.0 pence per Ordinary share. In the quarter there has been no movement in the total return to Shareholders.

The unaudited net asset value per Ordinary share as at 30 September 2012 was 68.0p (30 June 2012: 68.0p). Not included within this value is the interim dividend of 2.0 pence per Ordinary share and a Special Dividend of 0.5 per Ordinary share which were paid on 26 October 2012.

The number of Ordinary shares in issue at 30 September 2012 was 38,243,718 (30 June 2012: 38,243,718). In addition, at 30 September 2012, the Company held 1,178,356 Ordinary shares in Treasury (30 June 2012: 1,178,356).

Net assets at 30 September 2012 comprised the following:

	£000	% of net assets
Unquoted investments at fair value	9,421	36.2
Quoted investments at bid price	2,124	8.2
Gilt investments	919	3.5
Total investments	12,464	47.9
Cash and cash equivalents	12,955	49.8
Other net current assets	583	2.3
Net assets	26,002	100.0

The ten largest investments by valuation at 30 September 2012 were as follows:

	£000	% of net assets
Seven Technologies Limited	1,262	4.8
Displayplan Holdings Limited	1,244	4.8
Deep-Secure Ltd	1,055	4.1
Immunobiology Limited	987	3.8
Digital Healthcare Limited	921	3.6
Bluebell Telecom Group Limited	545	2.1
Power Oasis Limited	500	2.0
Iomart Group plc	416	1.6
Bagel Nash Limited	400	1.5
Harvey Jones Limited	400	1.5
Top ten investments	7,730	29.8
Other investments	3,815	14.6
Gilt investments	919	3.5
Total investments	12,464	47.9

During the three months ended 30 September 2012 the Company made a total of 4 investments, two into new portfolio companies and two follow-on investments into existing portfolio companies.

In August the Company invested £0.78 million into Insider Technologies Limited, an established provider of monitoring and scheduling software to the financial services and

national security sectors, as well as £0.125 million into Hargreaves Services plc, Britain's largest bulk haulage company.

In addition, during the period, the Company made two additional follow-on investments into existing portfolio companies. In July the Company invested £0.16 million into Vianet Group plc (formerly Brulines Group plc.) a leading provider of monitoring dispense protection systems for draught alcoholic drinks in the UK licensed on-trade. Whilst in August the Company invested £0.9 million into Immunobiology Limited, a company involved in the development of high efficacy vaccines for infectious diseases including influenza, tuberculosis, meningitis and hepatitis.

In the 3 months to September 2012 cash proceeds of £3.74 million have been received relating to the sale of the Company's holdings in Primal Pictures Limited and Sirigen Group Limited as well as from its part disposal of shares held in May Gurney Integrated Services plc, in total representing a profit of £1.82 million on original cost.

Following the end of the period the Company has made part disposals of two AIM listed investments, Brady Plc and Iomart Plc. This raised cash proceeds of £190,000 compared to a carrying value at 30 September 2012 of 178,000 giving rise to a return on cost of 2.02 times.

Performance

Valuations have remained stable this quarter. The total return, calculated by reference to the net asset value plus cumulative dividends, has remained constant at 100.0 pence per Ordinary share, with cumulative dividends now representing 32.0 pence per Ordinary share. The Company has also paid an interim and special dividend totalling 2.5 pence per Ordinary share on 26 October 2012.

Outlook

The Board believes that the current economic climate will continue to create investment opportunities in the short to medium term in well run and managed UK businesses that need capital to expand but are facing a shortage of finance. History has shown us that cautious investments made in the low point of the economic cycle have resulted in the highest portfolio returns. Additionally the investment limit applying to venture capital trusts has been increased to £5 million per investment in any one year. To take full advantage of this market opportunity the Board is seeking to increase the investment capacity of the Company over the coming months via a joint fund raising offer with British Smaller Companies VCT to raise in aggregate up to £15 million in gross proceeds.

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